

**Amendments to the Specification:**

Please add, beginning at page 26, between lines 19 and 20, the following new paragraph:

In one embodiment, an article of manufacture is provided. The article of manufacture comprises a machine-readable medium having instructions stored thereon to: convert a digital video signal organized in blocks of pixels from a first format to a second format, including instructions to use vector quantization to compress the first format into the second format; and to obtain the vector quantization, repeatedly apply a scalar quantizer to the pixels of the blocks with an adaptive quantization step based on characteristics of the pixels.